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# BRITISH COLUMBIA

ECONOMIC CIRCUMSTANCES AND OPPORTUNITIES

One of a series of staff papers prepared by the federal  
Department of Regional Economic Expansion  
as a contribution to federal-provincial consultations  
on regional development policy in Canada

April, 1973



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## INTRODUCTION

The Department of Regional Economic Expansion was established in 1969 to consolidate and strengthen the efforts of the federal government to combat regional disparities and support regional development. The Department carried forward the work of the Prairie Farm Rehabilitation Administration, and the administration of agreements signed under the Agricultural and Rural Development Act and the Fund for Rural Economic Development. The program of the Area Development Agency, which was designed to encourage industrial decentralization, formed the basis for introduction by the Department of a similar but more broadly based program under the Regional Development Incentives Act. Commitments made by the Atlantic Development Board were carried out and a new program of infrastructure assistance was introduced under the "special area" provisions of the Department Act.

In 1972, an internal policy review was undertaken to assess the progress being achieved and, particularly, to provide a basis upon which to meet the challenges of regional development in the mid 1970's. This paper is one of a series prepared as a result of that policy review. Separate papers have been prepared for each province (except for Prince Edward Island), the Atlantic Region, the Western Region, and a region defined for analytical purposes as the Western Northlands. For Prince Edward Island, the Development Plan currently in operation provides the framework and mechanism for joint development of priorities and initiatives and in consequence a separate federal paper is not appropriate. Each paper contains a summary of economic and social circumstances and a discussion of possible areas of opportunity for economic and related social development. Together, they are designed to serve as working papers for consultations with each of the provincial governments which, it is hoped, will result in new and improved approaches to regional economic development.

Regional economic development poses complex problems that vary from period to period and from place to place in Canada. No simple nor single solution is likely to be found. New and more flexible approaches are considered necessary and it is hoped that the discussions with the provincial governments will lead to greater and increasingly more effective federal-provincial action to overcome regional disparities and to encourage economic and social development in the slow-growth parts of Canada.



This paper is meant to be read in the context of observations and suggestions contained in a statement made on April 10, 1973, by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Some relevant excerpts from this statement are set out at the end of each paper as an indication of the approach to regional development being suggested.



## ECONOMIC CIRCUMSTANCES

### BACKGROUND

British Columbia has a rich and varied resource base in its mines, forests and fisheries. A moderate climate, relative to the rest of Canada, has made it a tourist and retirement centre and contributed to a varied agriculture. Increasing urbanization in the Lower Mainland has, however, created severe pressures on the physical and social environment. These pressures are damaging the quality of life available to the residents. The dynamics of the British Columbian economy and its rapid rate of growth make orderly development difficult but provide the wherewithal to make it possible. Heavy dependence on two sectors, mining and forestry, both of which are subject to the vagaries of world markets, has been a continual challenge for British Columbians since before the turn of the century.

Before the mid-19th century, the region was a fur-bearing preserve for the Hudson's Bay Company with some coal mining and agriculture established on Vancouver Island for domestic use and for export. In 1858, the European population was estimated at 450 on Vancouver Island and 300 at scattered trading posts on the mainland.

During the latter half of the 19th century, mining developments played the pivotal role in expanding the economic base of the region. The Fraser Valley gold rush, which began in 1858, and the subsequent placer and lode mining development in the north to the Cariboo, east to the Okanagan Boundary and Kootenay districts brought increased population and permanence to the colony of British Columbia. In addition to gold, base metals assumed importance within the mining sector. Fishing, agriculture and forestry industries were established primarily as sources of supplies for fur-trading settlements although some exports are recorded. The successive waves of mining development and population growth created a strong local demand for the products of these industries. Export markets

were also developed for salmon, apples and lumber. The developing manufacturing sector was primarily based on forest, fisheries and mining. By 1901, the population was 179,000 and was concentrated in the Lower Mainland and Vancouver Island areas.

Until World War I, British Columbia's development was essentially a series of overlapping phases of resource exploitation. By the twenties, British Columbia's economic base had taken on its present characteristics, i.e. heavy dependence on mines, forests and fisheries. The manufacturing sector, although playing a relatively smaller role than now, was also dominated by resource-processing industries. The population in 1921 was 525,000.

The changing composition of employment in the economy from 1921 to 1961 is shown in Table 1. The point that stands out most clearly is the overwhelming importance of service industries as the source of increased employment. This phenomenon has been widely noticed in the process of economic growth throughout the world. In part it reflects significant differentials in productivity advance; it is related to increased demands for business and government services as the economy becomes more complex in organization and technology. It also derives in some measure from increased demands for personal services at higher levels of income, including education and health care; from the expansion of tourist and recreational facilities; and from the expansion of entrepôt activities involving much of the trade of western Canada.

Leaving aside the service sector, the point to be noted is the major importance of the basic resource-processing industries, particularly forest and mineral products, in the growth of employment in this period. The relative importance of agriculture has declined (although not as rapidly as in the rest of Canada), and the relative importance of other manufacturing has increased slightly. In brief, the economic base in 1961, as in 1921, consisted largely of resource exploitation and processing, but with more than double the 1921 employment.

Table 2 shows 1961 comparative data on the distribution of goods production by industry, for British Columbia and for Canada. The data complement the employment data of Table 1.



TABLE 1

## BRITISH COLUMBIA'S LABOUR FORCE BY INDUSTRIAL GROUPINGS--1921-61

	Labour Force '000		1921-61	Per Cent Distribution of Labour Force	
	1921	1961		1921	1961
Agriculture					
Extractive Sectors					
Forestry	12.6	21.1	8.4	5.8	3.6
Fishing & Trapping	4.7	3.8	-0.8	2.1	0.7
Mining	11.4	8.2	-3.2	5.2	1.4
Manufacturing Sector					
Wood Products	12.9	43.1	30.2	5.9	7.4
Pulp & Paper	1.9	11.6	9.7	0.9	2.0
Metal Refining & Fabricating	3.7	13.7	10.0	1.7	2.4
Food, Bev. & Tobacco	4.4	18.2	13.8	2.0	3.2
Textiles & Clothing*	3.2	3.9	0.7	1.4	0.7
Printing & Publishing	1.9	7.0	5.1	0.8	1.2
Other Manufacturing	6.8	15.9	9.1	3.1	2.8
Construction					
Service Sector					
Transport, etc.	23.3	54.2	30.9	10.6	9.4
Trades	25.5	99.3	73.8	11.6	17.2
Services	33.6	123.4	89.8	15.3	21.4
Finance	4.9	22.6	17.7	2.2	3.9
Public Administration	8.3	55.2	46.9	3.8	9.6
NOT STATED					
		10.2	6.6	4.7	2.9
Total Labour Force		219.8	358.0	100.0**	100.0**

\* Including knit goods, leather products, and rubber products.

\*\* Percentages may not sum to 100 because of rounding.

Source: Adapted from M. McInnis, "The Changing Industrial Composition of the Canadian Work Force, 1921-61" unpublished paper presented to the University of Toronto Economic History Workshop, March 3, 1967.



TABLE 2  
 DISTRIBUTION OF GOODS PRODUCTION  
 BY INDUSTRY  
 BRITISH COLUMBIA AND CANADA, 1961

	<u>British Columbia</u> %	<u>Canada</u> %
Agriculture	5.3	9.7
Extractive Sector	23.2	11.6
Forestry	15.9	3.6
Fishing and trapping	2.2	0.6
Mining	5.1	7.4
Manufacturing	48.5	56.9
Construction	17.5	15.2
Electric Power	5.5	4.6
TOTAL	100.0*	100.0*

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\* Percentages may not sum to 100 because of rounding.

Source: Statistics Canada, Survey of Production, 1970,  
 Cat. #61-202.

Concentration of activity was particularly apparent in the extractive sectors, most notably forestry. Agriculture was well below the national average. Both construction and electric power in British Columbia were above the national average.

The overall picture given by the output data is not significantly different from that provided by the employment data, although there are some interesting differences in particular categories, e.g. agriculture.

A more detailed analysis of the economic structure of British Columbia in 1961 reveals it to be relatively heavily specialized in natural resource extraction and processing, with limited secondary manufacturing, but (as is common in complex economic systems) with a very large service sector.

The economy was also characterized by a high export orientation. Consequently the economy has always been highly susceptible to major market forces at national and international levels, to the nation's trade and commercial policy changes, and to movements in foreign exchange rates.

By 1961 the population had reached 1.6 million of which 790,000 lived in the metropolitan Vancouver area. Vancouver was expanding its service sector particularly through the rise of its international entrepôt functions following the Second World War.

## THE SIXTIES

During the sixties, British Columbia contributed more than its share to the expansion of the Canadian economy. This growth was concentrated in a few activities--hydro-electric facilities, pulp and paper mills, and the production of certain minerals. The upsurge in these activities stimulated related growth, particularly in construction, business services and metal fabricating. Tourist and recreational facilities expanded markedly, as neighbouring areas had increasing incomes and leisure time to take advantage of British Columbia's natural attractions. Vancouver's position as a Pacific entrepôt improved, particularly as development of major facilities for bulk loadings of resources occurred in the Lower Mainland. The continued dependence of British Columbia's economy on exports made it extremely susceptible to business fluctuations, in Canada, overseas (particularly Japan) and in the United States. The result was variations from year to year in aggregate provincial performance.

Aggregate indicators of the magnitude of economic expansion that has occurred since 1961 are population, employment, personal income and investment. The relevant figures, together with comparative data for Canada, appear in Table 3.

It is clear from these data that British Columbia did much better than average in the significant expansion of economic activity in Canada in the period 1961-71.

Increases in population and employment in British Columbia were almost double the rates for Canada as a whole. Per capita personal income remained above the national average although the percentage increase was less than the national average. Investment growth was extremely high in British Columbia, compared to the nation as a whole. The only disturbing feature in comparing data for the two years is the increase in unemployment. The rate in British Columbia was 8.5 per cent in 1961 and 7.0 per cent in 1971, indicating improvement; but the basic level of unemployment in Canada as a whole was 7.1 per cent in 1961, declining by 1971 to 6.4 per cent. In brief, the unemployment rate declined in British Columbia but remained significantly higher than in the country as a whole. The number of unemployed rose from 49,000 to 64,000.

In the sixties, the growth in British Columbia's population and labour force was relatively high, largely as a result of net in-migration. Its rate of employment growth was more rapid than for Canada and other provinces, but its unemployment rate continued to be well above the prairie provinces and Ontario. The unemployment rate directly reflected the relatively high rate of in-migration relative to the rate of job creation.

### Population

The population of British Columbia increased during the period 1961-71 by 559,000 to 2.2 million. The province's share of the Canadian population rose from 8.9 to 10.1 per cent.

British Columbia's under-15 population as a share of total population has consistently been about two percentage points lower than the Canadian level while the population 65 and over has been between 2.0 to 2.5 percentage points higher. Consequently, the relative size of the dependent population has been on a par with that of the nation. The higher percentage of people over 65 reflects the attractiveness of the province as a retirement area.



TABLE 3

CHANGES IN SELECTED ECONOMIC INDICATORS,  
BRITISH COLUMBIA AND CANADA,  
1961-71

	British Columbia			Canada		
	<u>1961</u>	<u>1971</u>	<u>Change</u>	<u>1961</u>	<u>1971</u>	<u>Change</u>
a) Population (000's)	1,629	2,188	34.1%	18,238	21,595	18.3%
b) Employment (000's)	527	847	60.7%	6,055	8,079	33.4%
c) Unemployment (000's)	49	64	30.6%	466	552	18.4%
d) Per Capita Personal Income (\$)	1,897	3,719	96.0%	1,651	3,405	106.2%
e) Investment (\$M)	1,241	3,759	203.0%	11,193	25,621	129.0%

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Sources: Computed from various publications of Statistics Canada.

Table 4 compares the British Columbia and Canada age distribution of the population in 1961 and 1971.

TABLE 4  
POPULATION AGE DISTRIBUTION  
BRITISH COLUMBIA AND CANADA, 1961 AND 1971

<u>Year</u>	<u>Age Grouping</u>			<u>Dependency</u>
	<u>0-14</u>	<u>65+</u>	<u>15-64</u>	<u>Ratio</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>(0-14&amp;65+/15-64)</u>
1961 B.C.	31.2	10.2	58.6	0.71
1961 Canada	34.0	7.6	58.4	0.71
1971 B.C.	27.9	9.4	62.7	0.60
1971 Canada	29.6	8.1	62.3	0.60

Source: Computed from Census of Canada data.

British Columbia presents a less culturally diverse picture than the prairie provinces. The proportion of the population reporting a mother tongue other than English or French is 15.5 per cent in 1971, compared with 13.5 per cent for Canada as a whole and 26.8 per cent for Manitoba, which is the highest figure among the western provinces. The proportion in 1971 reporting French as a mother tongue, although increasing slightly over 1961, is the lowest in the country except for Newfoundland. British Columbia's cultural heritage includes proportionately more people of Oriental ancestry than any other part of Canada. It also has a diversity of native Indian heritages not found elsewhere in Canada, including Kwakiutl, Shuswap, Kootenay, Tsimshian, Haida, Tlingit, Squamish, Carrier and Salish.

The native population (Status and Non-Status Indians) of British Columbia constitutes approximately 4.5 per cent of the total population of the province, and is numerically the second largest provincial native population in the country; the largest is Ontario. In addition to being the most culturally diverse Indian group, it is also a more economically

diverse group. Reserves are widely dispersed and locations range from central Vancouver to totally isolated communities near the British Columbia-Yukon boundary. Unlike the prairie provinces, there are large unsettled land claims (e.g. the Nishga situation).

The quality of native leadership is very high in British Columbia and several leaders have taken their place within the total institutional fabric of the province--in political life, church life and elsewhere. The strength of this leadership has been beneficial for the native organizations of the province.

Net in-migration accounted for over 65 per cent of the net increase in population. Net in-migration averaged 47,000 for the years 1966 through 1971--well above the 1961-65 average level of 16,500. The contribution of net in-migration to population growth in British Columbia over 1961-71 is higher than for Ontario and Alberta. While many of the in-migrants are retired people, attracted by the moderate climate of southwestern British Columbia, the majority of in-migrants are in the labour force age group (14-64).

Urbanization has been taking place in the province, but has recently occurred at a slower pace than it has nationally. Between 1961 and 1971 British Columbia's percentage of population in urban areas was similar to the national figure of 76.1 per cent (British Columbia was 75.7 per cent). Consequently, the province's percentage of population in rural locations was above the national figure. Indeed, British Columbia is the only province where rural population increased over the past decade. Much of the urban growth, therefore, is accounted for by in-migrants from overseas and other provinces.

Despite this factor, metropolitan Vancouver accounted for slightly over 50 per cent of the decade's population growth, reaching 1,082,352 persons in 1971. This has given Vancouver, Canada's third ranking city, slightly under 50 per cent of the province's total population. Victoria, the second of the two major provincial centres, also experienced considerable growth (7.5 per cent of the provincial growth) but at a lower rate than Vancouver. Together the population of these cities have represented a constant proportion (58 per cent) of the provincial total in 1961 and 1971.

In addition to the two major centres, Prince George in the north central region has developed very rapidly, assuming a position of importance in the provision of regional services. Similarly Kamloops, the regional centre of the south central area, has more than doubled its population over the decade. Table 5 provides some basic economic indicators for the 13 largest cities in the province.



TABLE 5

## SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES IN BRITISH COLUMBIA

1960-63 -- 1966-71

	Population		Total Taxable Income		Value of Retail Sales		Value of Mfg. Shipments	
	1961	1971	1963	1969	1961	1966	1960 <sup>a</sup>	1968
				\$M		\$M		\$M
Vancouver (Metro)	790,165	1,082,352	1,148.1	2,514.1	835.6	1,260.2	968.4 <sup>b</sup>	1,785.0 <sup>b</sup>
Victoria (Metro)	154,152	195,800	229.8	506.6	157.3	234.3	57.4 <sup>b</sup>	81.9 <sup>b</sup>
Prince George	13,877	33,101	44.4	121.4	27.6	66.7	15.7	34.5
Kamloops	10,076	26,168	34.1	88.8	22.9	58.2	4.5	8.1
Port Alberni	10,560	20,063	37.1	64.9	15.3	24.5	n/a	n/a
Kelowna	13,188	19,412	26.5	75.3	19.8	32.9	12.3	34.1
Penticton	13,859	18,146	19.0	42.4	19.5	30.5	4.4	10.0
Prince Rupert	11,987	15,747	22.7	54.0	12.7	23.8	5.6	28.3
Nanaimo	14,135	14,948	36.3	79.8	24.0	41.0	6.5	6.9
Vernon	10,250	13,283	21.1	50.5	17.4	25.6	5.7	3.8
Cranbrook	5,549	12,000	n/a	31.1	9.4	14.4	2.3	2.3
Dawson Creek	10,946	18,885	16.3	32.6	16.0	26.6	4.6	2.0
Trail	11,580	11,149	32.9	48.1	19.0	29.7	1.9	2.4
TOTAL	1,070,324	1,481,054	1,668.3	3,709.6	1,196.5	1,868.4	1,089.3	2,004.3
TOTAL PROVINCE	1,629,082	2,184,621	2,433.5	5,295.9	1,575.2	2,462.8	1,936.9	3,550.4
Major Centres As % Of Province	65.7	67.8	68.6	70.0	76.0	75.9	56.2	56.4

<sup>a</sup> Value of production rather than value of shipments.<sup>b</sup> Victoria City rather than Metropolitan Victoria.

Source: Financial Post, Survey of Markets, 1962, 1965-66 and 1971 editions; Statistics Canada, Census of Canada, 1966, Vol. I, Incorporated Cities, Towns and Villages, Cat. #92-607, and Census of Canada, 1971: Advance Bulletin, Cat. #92-754 AP-3.

While growth has occurred in a number of other smaller centres, none of them has more than 25,000 persons. If, however, the expected expansion of the port function in Prince Rupert does occur, it should provide the impetus for boosting this centre to a second-order level in the provincial urban hierarchy. Port Alberni, spurred on by resource development in the area, should also continue to grow. The magnitude of future growth in the remaining urban centres generally located in the northwest and southern portions of the province, is more uncertain as it will depend on the extent of new activities.

### Labour Force and Employment

During the period 1961-71, the labour force of British Columbia increased by 336,000 (Table 6). The participation rate increased from 52 to 57 per cent, second only to Ontario among the ten provinces.

The increase in the participation rate in British Columbia can be traced to the increase in the female participation rate. The fact that the increase in British Columbia exceeded that of the rest of the country lies in the stabilization of the male participation rate. In British Columbia the male participation has fluctuated between 76 and 78 per cent with no consistent trend. In all other provinces the male participation rate has fallen. Female participation increased by 10 percentage points over the decade (from 27 to 37 per cent). This increase was above the national average for females and only slightly behind that of Ontario, which had the highest increase in Canada.

With both population and participation rates rising faster in British Columbia than in any other region of the country for the 1961-71 period, it follows that the labour force showed the most rapid growth.

During the period 1961-71, the employed labour force of British Columbia increased by 320,000 or 16,000 less than the net addition to the labour force. Of the increase, males accounted for 185,000 and females for 135,000.

The rate of employment growth in British Columbia was more rapid than in the nation or in other regions of Canada. The rapid employment growth between 1961 and 1971 resulted in British Columbia's share of Canadian employment rising from 8.7 to 10.5 per cent. The only industrial division which did not experience employment growth in British Columbia in the sixties as fast as that in the whole of Canada was public





administration. In this case, the rate of increase approximated the national average. As was the case for Canada as a whole, the most rapid employment growth in British Columbia was in the service industries, in the finance, insurance and real estate division, trade and community business and personal services. The last mentioned sector accounted for roughly one-third of the net increase in employment.

British Columbia's employment was more diverse than was general nationally. The sectoral distribution, however, underestimates the impact of the primary resource sectors as employment generators, because employment gains in manufacturing, construction, transportation and to a lesser extent some trade and financial services were closely associated with the primary resource sectors. Most, if not all, of these developments fall within the general historical pattern. They tend to expand the traditional economic base of the region rather than significantly altering its nature.

Unemployment rates in British Columbia have consistently been higher than for the nation or for the other relatively high income provinces of Ontario and Alberta.

Male unemployment rates have been higher than for females, and result from slow growth in commodity production--an area in which male labour predominates. A number of reasons have been offered for the phenomenon of lower unemployment among females at national and regional levels. These include fewer seasonal and cyclical fluctuations in service sectors (in which female labour predominates) and their less permanent attachment to the labour force. During the last five years there has been a tendency for female unemployment rates in British Columbia to rise.

The age distribution of the unemployed in British Columbia during the latter half of the sixties was roughly parallel to the nation and was characterized by relatively high unemployment in the 15-24 age group.

### Economic Indicators

The Gross Provincial Product of British Columbia accounted for over 11 per cent of the national total in 1971--the highest proportion the province has ever attained. In 1971, British Columbia had an estimated Gross Provincial Product of \$10.6 billion or \$4,847 on a per capita basis. Major contributors to this growth were the forest-related industries, mining, construction and the service sectors.

British Columbia has consistently maintained a high position in the per capita personal income ranking among provinces, and during the sixties was surpassed only by Ontario. There has been some fall in the province's strong relative position, personal income per capita having dropped from 15 per cent above the national average in 1961 to 9 per cent above in 1971. Examination of earned income data shows a similar pattern. Table 7 shows 1961-71 details regarding British Columbia's personal income and some of its components.

Additional information on the level of earnings in British Columbia relative to other regions is found in the average weekly wages and salaries for industrial divisions. During most of the period 1957-71 (for which industrial data based on establishment surveys are available on a consistent basis) earnings in British Columbia were higher than in any other region of the country in all industrial divisions except finance, insurance, real estate, community business and personal services. Not surprisingly, average weekly wages and salaries for the industrial composite were also higher for British Columbia than for other regions. Thus, the phenomenon of high earnings in British Columbia is not confined to a few industries, but is quite widespread among establishments employing 20 or more people.

An indication of income distribution is suggested by examining taxation returns. In 1969, of a total of 949,000 taxation returns from British Columbia, roughly 14 per cent were non-taxable. The percentage of non-taxable returns was approximately 17 per cent in Canada, 14.4 per cent in Ontario, and 19.1 per cent in Alberta. Also in 1969, 52 per cent of all British Columbia returns fell within the under \$5,000 category and accounted for 23 per cent of total income. Comparative data for Ontario were 53 and 23 per cent, and for Alberta 58 and 27 per cent. The taxation data for 1969 suggests there is a close similarity between income distribution in British Columbia and in Ontario.

Total investment in British Columbia rose from 10.8 per cent of Canada's investment in 1962 to 14.7 per cent in 1971. In 1971, investment in primary industries and construction was 4.5 times the 1961 levels; manufacturing, about 3.6 times; and housing, institutions and government departments, trade, finance and commercial services and utilities, about 2.5 times 1961 levels. In each of the above groups, British Columbia, when compared to the nation, showed a relative increase. However, given the strong resource orientation of the economy, i.e. forest and forest products, hydro-electricity and mining, this growth did not occur on an annually sustained basis. Table 8 indicates the sectoral growth of investment during the past decade.

TABLE 7  
PERSONAL INCOME IN BRITISH COLUMBIA  
SELECTED INDICATORS, 1961-71

<u>Year</u>	<u>Personal Income</u> \$ M	Farm Income as a % of Personal Income		Personal Income Per Capita		Earned Income Per Capita B.C. as a % of Canada	Government Transfer Payments Per Capita B.C. as a % of Canada
		<u>B.C.</u>	<u>Canada</u>	\$	B.C. as a % of Canada		
1961	3091	1.8	2.7	1897	115.0	113.1	128.1
1962	3279	1.9	4.2	1975	112.0	109.8	124.6
1963	3509	1.8	4.1	2065	112.3	109.4	124.9
1964	3822	1.7	3.2	2190	113.3	111.1	124.6
1965	4271	1.4	3.5	2377	113.7	111.9	122.3
1966	4817	1.5	3.9	2570	111.6	109.9	119.6
1967	5348	1.3	2.6	2750	110.8	109.7	110.5
1968	5837	1.5	2.8	2914	108.3	107.3	108.0
1969	6654	1.0	2.3	3230	109.7	108.7	108.2
1970	7187	1.0	1.7	3377	108.1	106.5	111.0
1971	8125	1.0	2.0	3719	109.2	108.7	106.4

Source: Statistics Canada, National Income and Expenditure Accounts:  
Historical Revision, 1926-71.



TABLE 8

## INVESTMENT IN BRITISH COLUMBIA--SELECTED INDICATORS, 1961-71

Year	Total Investment <sup>a</sup> \$M	Total Investment % of Canada	Per Capita as a % of Canada	PERCENTAGE DISTRIBUTION OF TOTAL INVESTMENT BY SECTOR									
				Primary Industries & Construction		Housing Institutional Services & Gov't Depts.		Utilities		Trade, Finance & Commercial Services		Manufacturing	
				B.C.	Canada	B.C.	Canada	B.C.	Canada	B.C.	Canada	B.C.	Canada
1961	1240.9	11.1	124.4	14.2	15.4	38.6	38.2	25.5	21.6	7.5	9.0	14.2	15.8
1962	1287.9	10.8	121.4	15.9	15.5	38.4	39.2	20.8	19.7	7.3	8.6	17.5	17.0
1963	1400.4	11.0	122.4	14.8	16.2	38.4	38.3	20.3	20.0	8.1	8.6	18.5	16.9
1964	1737.2	11.9	131.8	17.2	16.6	34.1	36.5	21.9	19.8	7.2	8.5	19.6	18.7
1965	2181.0	13.0	142.0	17.2	16.3	31.9	35.5	23.5	19.6	7.1	8.9	20.3	19.7
1966	2551.3	13.1	140.1	15.1	16.5	30.5	33.9	27.1	19.9	6.4	9.1	20.9	20.6
1967	2716.5	13.6	142.2	16.2	16.7	31.9	35.0	28.3	20.8	7.6	9.0	16.0	18.4
1968	2579.3	12.6	130.2	17.5	16.3	34.4	37.3	26.1	21.0	8.3	8.7	13.7	16.8
1969	2957.9	13.3	135.8	19.4	15.8	34.7	37.1	21.2	19.9	8.2	8.3	16.4	17.6
1970	3108.2	13.2	129.6	20.1	15.6	32.4	35.1	22.9	20.7	7.3	8.8	17.3	19.8
1971 <sup>c</sup>	3758.9	14.7	141.4	22.1	16.5	33.1	37.8	22.1	20.4	7.1	8.2	15.6	17.1

<sup>a</sup> Total investment = total new capital and repair expenditures on construction and machinery.

<sup>b</sup> Because of rounding, sums may differ from totals given.

<sup>c</sup> Preliminary actual data.

Source: Canada, Department of Industry, Trade and Commerce & Statistics Canada, Private and Public Investment in Canada Outlook and Regional Estimates, SC Cat. #61-205, various issues.

Investment in machinery and equipment grew at a faster rate than in construction. However, since British Columbia is not a major producer of machinery and equipment goods, much of this investment capital leaked out of the British Columbia economy to other provinces. Residential construction increased its share of total construction from 26 to 33 per cent over the 1961-71 period. The growth in both residential and engineering construction had strong linkage effects with the non-metallic mineral products industry and building trades activity. However, the level of induced activity was dampened by import leakages, the relatively capital intensive nature of these activities, and the long waiting period before the full effects of investments were felt.

The relatively high share of investment in British Columbia in primary industry and construction, utilities and institutional and government departments suggests that investment was widely dispersed spatially.

On the assumption that the net value of production for each commodity-producing sector represents its contribution to Gross Provincial Product, and that the residue can be taken as a proxy for the service sector contribution, the configuration shown in Table 9 emerges for the years 1961 to 1970.

The strong and increasing performance of the service sectors is obvious. Indications are that the contribution of the service sector to output in British Columbia have in both periods been above national levels.

Of the various commodity-producing sectors in British Columbia and Canada, mining, construction and electric power increased their percentage shares. British Columbia's performance in these sectors was superior to Canada's. The percentage point decline in the contribution of British Columbia was more than for the nation in manufacturing but less in agriculture.

The fiscal capacity of British Columbia has consistently been well above the Canadian average. One indicator, the per capita revenue capacity, rose from \$217 in fiscal year 1963-64 to \$547 in fiscal year 1971-72. In index form, these figures represent 125 and 120 of the all-provinces average (100) for the respective years. In both these years, British Columbia retained its number two position in per capita revenue capacity while making tax efforts of 108 in 1963-64 and 93 in 1971-72 compared to an all-province index of 100.

TABLE 9

## NET VALUE OF PRODUCTION--BRITISH COLUMBIA--CANADA, 1961-70

Industry <sup>a</sup>	Net Value of Production			British Columbia			Canada		
	British Columbia		Canada	British Columbia		Canada	British Columbia		Canada
	1961	1970		1961	1970		1961	1970	
	\$ M	\$ M	% increase	% increase	%	%	%	%	% Point Change in the Distribution of Industry 1961-70
Manufacturing	865.6	1617.4	86.9	92.1	48.5	47.2	56.9	56.5	- 0.4
Construction	311.5	771.5	147.7	119.8	17.5	22.5	15.2	17.3	2.1
Forestry	284.0	329.2	15.9	2.5	15.9	9.6	3.6	1.9	- 1.7
Electric Power	97.6	197.5	102.4	102.9	5.5	5.8	4.6	4.8	0.2
Agriculture	94.8	138.7	46.3	60.6	5.3	4.0	9.7	8.0	- 1.7
Mining	90.1	310.8 <sup>c</sup>	244.9	124.7	5.1	9.1	7.4	10.9	1.5
Fishing	39.7	60.2	51.6	84.3	2.2	1.8	.6	.6	0.0
Trapping	0.7	0.6	- 14.3	12.8	-	-	-	-	-
TOTAL GOODS-PRODUCING	1784.0	3425.9 <sup>c</sup>	92.1	93.5	100.0	100.0	100.0	100.0	
Services Residual <sup>b</sup>	2247.0	5856.1	160.6	134.5					
Gross Provincial Product	4031.0	9282.0	130.3	115.5					

<sup>a</sup> Ranked by size of net value of production or value added in British Columbia in 1961.

<sup>b</sup> Comprised of domestic factor incomes earned in service industries plus indirect taxes less subsidies less incomes paid to non-residents plus income earned outside the province by residents. These figures may therefore either overstate or understate the net value of service output.

<sup>c</sup> Preliminary

Source: From Statistics Canada, Survey of Production, 1970, Cat. #61-202 and Government of British Columbia, Summary of Economic Activity, 1971.



## SOCIAL SETTING

The social service system in British Columbia is generally good. The number of hospital beds per 1,000 population is 6.5, or slightly below the national average; the number of registered active physicians per 100,000 population is 165, or above the national average. The infant mortality rate is 19.6 compared with a national rate of 20.7. British Columbia has a good education system, well distributed throughout the province. It has had, however, a somewhat conservative approach to vocational training. As is to be expected, there are some problems associated with the delivery of services to the isolated areas. The welfare system is about at the national average but new proposals by the British Columbia government would give that province the best situation in Canada with respect to old age pensions.

In many respects, British Columbians regard their province as a frontier province where social and economic experimentation is both possible and desirable. In the north, there is an actual frontier which is being continually rolled back by new population and new infrastructure developments. British Columbia combines this frontier spirit with a sophistication that comes from technological advances, self-confidence, rapid urban growth and a high level of social services. It is a province that looks inward to the needs and aspirations of its people and yet contributes substantially outward to a realization of the full Canadian potential. The province is able to look even further outward, establishing strong contacts to the south, around the Pacific Rim and in western Europe.

In recent years British Columbians have turned from an economic growth orientation to one more concerned with socio-economic development. British Columbia is now focusing more on the quality of life--on the needs of the old, the poor and the otherwise disadvantaged. It is concerned too with protection of the physical environment. On the quantitative side, industrial growth is being encouraged but through greater diversification. Relief of pressures on the Lower Mainland is being emphasized and growth encouraged in other comparatively young centres.

Growing imbalance in western Canadian growth during the past two decades has drawn British Columbia towards the western United States and overseas. As a result, British Columbia, more than some other provinces, has been very concerned with Canadian foreign policy including trade, resource ownership and jurisdictional aspects of international rivers. In some instances when British Columbia has felt that the

federal government's action was inadequate or misdirected, it has chosen and has had the fiscal capacity to take action on its own--for example, the British Columbia Railway, the Roberts Bank port development, the Peace River development and old age pensions.

The attitude of British Columbians and the province's economic experience during recent years both contribute to a general feeling of optimism for the future. By and large this feeling is borne out by fact. The following section discusses general trends and opportunities of the British Columbia economy.

## OPPORTUNITIES

### INTRODUCTION

Given the resource potential and strategic location of British Columbia, the dynamic economy which has developed in the past should thrive. British Columbia may be regarded as a province with abundant physical, financial and human resources and a strong growth potential to meet rising national and international markets.

In 1971, British Columbia, with a population of 2.2 million, was still an export-oriented resource economy although the rapidly increasing local market concentrated in the Lower Mainland was stimulating an increase in secondary manufacturing. Certain interior communities are presently enjoying rapid growth, specifically Kamloops--developing as a transport hub and processing centre; and Prince George--a resource processing and railway centre.

Between 1961 and 1971, employment in British Columbia rose from 527,000 to 847,000. By January, 1973, the number of jobs had increased to 895,000. Projections based on the trends of the sixties suggest that by 1981 some 332,000 new jobs will be generated by the economy but that if in-migration continues at or near present rates, unemployment will remain near present levels. This is one reason why there is mounting concern about migration and its implied social costs.

The remainder of this paper identifies some of the probable developments in individual sectors which collectively will generate the high rate of economic growth which is forecast for British Columbia in the seventies and, later, suggests some potential problem areas where joint development efforts might be directed to overcome these possible problems.

Agriculture will continue to be a relatively small contributor to the total provincial economy in the future. In British Columbia it is closely related to the local market contributing 4 per cent of British Columbia's value added in the goods-producing sectors in 1970 and providing 3 per cent of British Columbia's employment. If food-processing industries and wholesale and retail trade in food is included



with primary agriculture then 9 per cent of the employment in British Columbia is generated by agriculture.

In terms of share of farm cash receipts, the various agricultural products have been remarkably even and consistent over time. Livestock, grains and fruit remain the major export items. With the growth of urban centres, dairy products from the Lower Mainland and Vancouver Island areas have increased in importance. The demand for these products is expected to expand in response to future income and population growth.

Forestry has been the leading industry and mainstay of growth during the sixties. The wood industries, particularly sawmilling, are the most important segment of the forest economy, although the greatest relative gains have been in the pulp and paper sector. Since 1961, new capital expenditure in this industry has totalled \$2,348 million, with the pulp and paper sector accounting for over 55 per cent of the total. The industrial expansion of the northern and eastern sections of British Columbia has been heavily dependent on the forest industry.

The significance of the forest industry in British Columbia's economy is considerably understated by the value added figures shown in Table 9. This is because the forest industry has many linkages to manufacturing through related wood products industries, as well as the export trade sector. The implication of this complex set of linkages is that any variation in output of the forest industry, especially the primary segment of the industry, will have important ramifications for the whole economy of British Columbia.

Much additional growth is likely to take place during the seventies when it may be possible to produce additional lumber veneer, plywood, pulp and paper, poles, pilings, and pallets.

At the present time, three rail branch lines are under consideration in the north--Ootsa Lake, Nass River and Babine Lake--links that would join with the CNR's mainline between Prince Rupert and Prince George. If constructed and combined with a suitable rate structure and an adequate timber licensing program, the contribution to the forestry industry of the north would be considerable.

The forest resources of northern British Columbia may be sufficient to support two additional pulp mills: one in the Dease Lake area and the other in the Fort Nelson area. These mills, if established, would likely have a productive capacity of 750 tons per day and include sawmilling facilities. The expansion of pulp mill capacity in the northern area is closely linked to the provision of economical transportation access,

with concerns for protection of the environment, and to market conditions. By 1981, one of the two above-mentioned pulp mills is expected to become a reality.

There is a possibility for development of integrated forest industries in three particular areas: Prince Rupert, Fort Nelson, and the Dease Lake area north of Prince Rupert. The most likely area for such an integrated forest complex, however, is likely to be in and adjacent to Prince Rupert.

Aside from the potential of the industry in the northern part of the province as generally described above, there will be opportunities for a number of new plants in the southeastern part of the province for the production of veneer, paper products, additional lumber, shingles and other wood-based products.

The strong resource base, the shipping advantages of a tidewater-location, a long history of wood product development, the relatively recent and successful integration of the pulp and paper industry with the sawmilling industry, and a well-trained highly paid labour force, have resulted in a tremendous contribution to the provincial economy by the forestry and forest-based industries.

In the seventies, the two main objectives for forestry and the forest-based industry could be: to increase the extent of local processing; and to rationalize and develop the forest industries in the northern part of the province.

The first objective might be achieved through greater access to foreign markets, particularly Japan and western Europe. The goal would be to export forest products in a more finished state rather than as logs or semi-finished materials.

The second objective might be met through investment in rail lines to gain access to sawlog timber and increase sawmill capacity. This in turn would help provide raw materials to the two pulp mills at Kitimat and Prince Rupert in the form of pulp chips from sawmill residues. These two mills are currently experiencing financial difficulties, chiefly because of their high cost of delivered raw materials.

In summary, the forestry industries in British Columbia, particularly in the northern part of the province, are looked to for new employment generation over the seventies.

Mining has increased quite significantly over the last decade; as a share of total value added by goods-producing industries in British Columbia, from 5 per cent in 1961 to

over 9 per cent in 1971. Nevertheless, this industry only accounted for 1.5 per cent of total provincial employment. Total mining revenue in 1971 was \$418 million.

The mining industry in British Columbia is the most diverse of any province in Canada, with a strong metallic, non-metallic, fuel, and structural minerals resource base. This diversity will be an important element in the future stability of the mineral industry in British Columbia.

During the 1961-71 period, the composition and markets of British Columbia's minerals changed quite significantly. While lead and zinc output remained largely unchanged, other mineral output grew dramatically in response to high world prices and better mining and exploration techniques. Copper, molybdenum, crude oil and coal all increased their share of British Columbia's mineral production.

In the late sixties, Japan emerged as a major market for British Columbia's minerals so that by 1971 it accounted for about 50 per cent of the mineral exports, an increase from 25 per cent in 1966. The expansion of the Japanese market had a particular impact on coal, copper and molybdenum.

Most of the recent increases in mining employment have been the result of growth in the copper and coal mining industries. In the metallic sector, the future expansion of mining employment in British Columbia will be primarily dependent upon copper production from large open pit mines in the northern and central portions of the province. Lead and zinc production may remain relatively stable throughout the forecast period.

Employment in the fuels sector is likely to increase as a result of further coal mining in the East Kootenay area. Forecasts indicate that employment in oil exploration and production may rise rather slowly in the northeast, whereas employment in gas exploration and production is expected to increase more rapidly.

Mining sector employment is forecast to rise from about 9,500 in 1970 to reach a maximum of nearly 15,000 by 1976, falling back to under 14,000 by 1981. The extent of the fluctuation will depend on the buoyancy of overseas markets. Employment in the mining sector in British Columbia is likely to expand during the seventies.

Approximately 20 per cent of all persons employed in fishing in Canada were in British Columbia (1970 and 1971 figures). Fishermen numbered approximately 11,600 in 1970 but have declined somewhat since then due to the salmon license control program implemented in 1971. An estimated 4,000 persons are engaged in the processing segment of the industry.



Historically, net output in the fishing industry has been greater in British Columbia than in any other province. British Columbia's fish processing accounts for between one-third and one-quarter of Canada's net output for this activity. The industry in British Columbia, therefore, assumes a significant, nation-wide role. Fishing and processing together accounted for approximately 5 per cent of British Columbia's total net output in goods-producing industries during the sixties.

Several economic and social opportunities exist in the coastal fisheries sector of British Columbia which may be important in terms of foreign exchange earnings and of employment of people of native ancestry (particularly in the processing phase).

Two principal opportunities lie in finding further use for low-value fish, such as ling cod, and in expanding production through fish-farming (aquaculture) in some of the fresh- and salt-water lagoons of the central coast of Vancouver Island. Such a program is feasible using existing technology but continuing research and development will be necessary.

Manufacturing accounted for the largest portion of the net output in the goods-producing sectors of British Columbia during the 1961-71 period, averaging 48 per cent of the total for most of the decade. British Columbia's value added in manufacturing expressed as a percentage of the Canadian level showed a slight increase over the 1969 period from 8.3 to 8.7 per cent.

The three major manufacturing activities--wood industries, paper and allied industries and food and beverages--accounted for roughly 63 per cent of provincial value added in 1961 and 1969. Primary metals and metal fabricating industries and machinery together increased their share from 13 to 17 per cent. The increase in this group was accompanied by relative losses in chemicals and petroleum refining, with other sectors such as transport, printing, clothing, furniture and fixtures, showing little change in their percentage shares.

Manufacturing employment in British Columbia increased at 4 per cent per annum through the sixties and reached a 1971 level of approximately 150,000 employees. This represents approximately 8.3 per cent of Canadian manufacturing employment--up from 7.3 per cent in 1961.

Manufacturing has concentrated in the Lower Mainland-south Vancouver Island areas where markets, labour, trade and transport hubs are located. Recently, however, some plants have been built in the Okanagan, the Kootenays, Columbia-Shuswap and Prince George regions.

British Columbia's manufacturing industry, while strong, is not diversified. It is heavily resource-oriented with wood industries and paper products accounting for 45 per cent of total employment with another 10 per cent in mineral-related industries. Forestry-related activities seem to be the most dynamic industries and are expected to provide a large proportion of future growth in manufacturing.

Turning to other industries, the durables side of secondary manufacturing industries in British Columbia have been the most expansive in the recent past. This trend is expected to be maintained through the seventies. Employment growth of significant proportions is expected in the metal fabricating, machinery, electrical products and transportation equipment industry groups. The printing and publishing industry could also create new jobs, reflecting the underlying growth in the economy. Finally, the miscellaneous products industry will probably also continue its major expansion in the production of many low bulk commodities.

The output of metal fabricating industries in British Columbia will be determined primarily by demand generated in the construction industry. These industries experienced averaged annual employment growth of between 5 and 9 per cent during the sixties and should all experience further growth during the seventies, particularly in response to continuing developments in the resource and resource-related activities in the province.

It is expected that a very high proportion of these jobs would normally be located in the Lower Mainland, although resource developments in the interior may attract an increasing share of new jobs.

During the sixties, the machinery industries, particularly miscellaneous machinery and equipment and office and store machinery, collectively experienced very high growth; and employment increased by 124 per cent from 1961 to 1969, reaching a high of 4,335. This employment growth rate was second only to that of the electrical industries. It is to be expected that by 1981, the machinery industries should be capable of creating some 3,500 new jobs.

By 1969, employment in the transportation equipment industry was approximately 6,100. During the seventies, this sector may generate some 2,000 new jobs, primarily in the truck body and trailer, and boat-building and repair industries.

In western Canada, the electrical products industries have been primarily established in British Columbia. In 1969, British Columbia accounted for more than one-half of the total western employment in these industries. Some growth is anticipated in the seventies.

Two areas of potential development in British Columbia over the seventies are in the chemical industry. Production of chlorine and caustic soda, predicated on the requirements of the pulp and paper industry of the Pacific northwest of the United States and of British Columbia is one such opportunity. A second opportunity may emerge in the fertilizer industry, particularly if natural gas and by-product sulphuric acid from a future copper smelter are available at competitive prices. Whereas fertilizer production in Alberta would be largely dependent on the U.S. market, similar development in British Columbia would be partially dependent on the markets of Pacific Rim countries.

In summary, the manufacturing sector of British Columbia is expected to grow markedly in the seventies and become more diversified. However, it may be desirable to encourage industrial locations outside of metropolitan Vancouver to avoid urban congestion and environmental problems, and to stimulate the growth of selected smaller centres. In addition, considerable expansion of the service sectors is expected, stimulated by the growth in the productive sectors as well as by the increasing importance of Vancouver as an entrepôt, Victoria as an administrative, educational and retirement centre and Prince Rupert as a transshipment centre for the Pacific Rim.

British Columbia entered the seventies with considerable optimism for continued expansion, but with a desire to expand and diversify the secondary manufacturing sector and to disperse industry, where possible, to areas outside the Lower Mainland. Major constraints, most apparent in the Lower Mainland, have continued to be high-cost labour, labour-management difficulties, and high unemployment, but this latter has not discouraged in-migration. Forestry and its allied industries will likely maintain their dominant position. Tertiary activity will account for a larger and larger share of new job creation. The economy will become increasingly export-conscious, developing new opportunities around the Pacific Rim.



In economic terms, British Columbia will continue to provide an attractive environment for future expansion. British Columbia has done very well and should expect to continue to do so. The outlook for the seventies is very promising. The province is in the fortunate position that its private sector, with both supportive and complementary activity from the province, can ensure the realization of much of the potential. The engine of growth, the economy, is strong. Current federal and provincial policies, in conjunction with potential improvements, should adequately assist the continued growth of British Columbia. Of major interest will be transportation and resource policies, and trade policy vis-à-vis the Pacific Rim countries.

The major socio-economic concerns will be the distribution of future development to smaller centres, the rural areas and the north, and the desire to improve the process of development so that an attractive life-style may be maintained in the south and provided to the north. The question of in-migration will continue to be crucial in the seventies. While a continued inflow of retired people will take advantage of the moderate climate of such areas as Vancouver Island, a decrease of in-migrants in the labour force would tend to alleviate pressure on large urban centres, on social services and on the rate of unemployment. Developments in other provinces, particularly Saskatchewan and Manitoba, could, in concert with orderly development of British Columbia, assist greatly in improving the quality of western Canadian living, both by relieving pressures on the Lower Mainland and by increasing the viability and number of services offered by prairie urban centres.

A balanced and dynamic economy in the west will stimulate greater linkages between the provinces on the basis of potential comparative advantage. An expansion of the prairie market through increased and more stable incomes and through increased population will provide markets for many of British Columbia's manufactured goods, and vice versa. Improved growth rates in the prairies with associated job creation may reduce the flow of migrants to British Columbia and should therefore reduce pressure on the rate of unemployment, on the environment and on the diseconomies of urban concentration in the Lower Mainland.

However, development implies not only growth and structural adjustment but also the concepts of quality of life and life-style options. Noted earlier was the desire by British Columbia to focus attention on the quality of life. This concept includes, but is not restricted to broad parameters such as: minimizing urban congestion, such that a major portion of industrial growth is encouraged in secondary urban centres of the north and the southern interior; assurance that these secondary centres are capable of supplying an array of urban

amenities, permitting them to reach a stage of self-sustained growth; assurance that the environment and the renewable resources it contains are used and sustained, thereby ensuring benefits for later generations and that a fair return is gained from non-renewable resources; and assurance that growth should be spatially distributed and benefit directly or indirectly all disadvantaged people.

Regional development efforts may require joint effort by the federal and provincial governments to encourage new resource-processing activities to locate outside of the Lower Mainland in selected areas and centres elsewhere in the province, especially in the northern and interior areas and in parts of Vancouver Island. In addition, other secondary manufacturing might be assisted to locate outside the Vancouver area. Such efforts could be combined with provincial and municipal efforts to control industrial growth in the Lower Mainland. In northern British Columbia, rational development requires that, in addition to the above, planning effort and investments be provided by governments for social measures and key infrastructure including the development of community services.

The following paragraphs discuss two areas of the province--the north and the southern interior--where opportunities exist that will both improve the economic opportunities and the quality of life in those areas and alleviate growing pressure on the Lower Mainland.

Northern British Columbia operates in a distinctive social setting--distinctive from both the urban south and the north of the prairie provinces. To be sure, the Peace River country of British Columbia has much in common with northwestern Alberta. The Peace River area is undergoing a similar but not identical, agricultural transformation process as is being experienced by the southern prairies--farm consolidation, capital intensification and farm diversification. The two major differences in this area of both Alberta and British Columbia are the recency of settlement and the more limited opportunities for agricultural diversification.

But northwestern British Columbia is markedly different from any comparable area south of the 60th parallel in the west. First, the varied resource base (forests, minerals and water) provides a large number of potential opportunities. Second, the railways, ports and towns suggest that at least some of these opportunities are available for immediate development. Third, a greater population than in the more easterly portions of the west at a comparable latitude provides a basic labour force. However, northern British Columbia is confronted with a number of socio-economic difficulties that, combined, produce complex problems.

The problem is not purely one of jobs--one of the major complaints of the employers in northern British Columbia is the lack of a labour force, at the very least, the extremely high turnover in the labour force.

The problem is partly one of isolation. Not, perhaps, relative to other areas in the north, but for many residents who have come from the Lower Mainland, Vancouver Island or urban areas outside the province, the area is isolated geographically and culturally from the mainstream of Canadian life.

To add to the complexity of the problems of northern British Columbia, there is a need to expand the alternatives available to people of native ancestry. It is not exclusively the classic problem of incorporating indigenous people into a twentieth century life-style, but of providing disadvantaged groups with alternative options. Only 25 per cent of British Columbia's Indians live in the northern portion of the province but many of these 11,500 citizens are disadvantaged by any standard and have many of the same problems as those disadvantaged groups in the rest of the Western Northlands.

As indicated, the problems of northern British Columbia are complex. However, several development opportunities exist in the region.

In the coastal portion of the north, opportunities exist for the expansion and enhancement of Prince Rupert as a major port facility to service the Pacific Rim. While it is not suggested that Prince Rupert take functions from Vancouver and the Lower Mainland, growth potential appears to exist for expanding exports through here, from the British Columbia interior and from the prairie provinces. With increased commodity movement there could emerge processing and manufacturing opportunities that could aid in broadening the economic base of the community.

The coastal portion of northern British Columbia also has opportunities for expanding production from its water resources. Continuing research and development into new uses for selected fish species is one example of an opportunity that would assist the population of many small coastal communities. A further opportunity in fish farming or aquaculture, using known and improving technology, could not only increase production, but could also assist in creating jobs in processing activities.

Provision of infrastructure requirements in the transportation sector of northern British Columbia is a further need. Increasing throughput in the ports as well as improving access to northern resource areas is likely to encourage orderly and rational resource development.



In the context of measures to cope with industrial growth in the Lower Mainland, the secondary centres and rural areas of the southern interior provide alternative locations. Development of selected secondary manufacturing, including resource and agricultural processing and tourism, are specific sectoral opportunities that exist. The urban centres in this area could expand the quality and number of urban amenities, thereby increasing their attractiveness as sites for locating industry, services and as residential areas. In rural areas, there are development potentials for agricultural processing and tourism which might be assisted.

Joint development effort in British Columbia could be largely aimed at encouraging economic development in the northern and interior parts of the province, combined with provincial and municipal efforts to ensure orderly growth in the Lower Mainland. These efforts could increase the employment and income opportunities for the people in those areas. At the same time it may assist relieving pressures on the Lower Mainland.



## EXCERPTS FROM MINISTERIAL STATEMENT<sup>1</sup>

The economic circumstances and opportunities outlined in this paper and similar papers for other provinces and regions of Canada have been produced as part of the review of policies and programs carried out by the Department of Regional Economic Expansion over the past year. This review, and tentative policy approaches resulting from it, were discussed by the Honourable Don Jamieson, Minister of the Department of Regional Economic Expansion, in his opening statement to the Standing Committee on Regional Development of the House of Commons on April 10th. Following are excerpts from that statement:

....When the Department of Regional Economic Expansion was established in 1969, it was given a broad mandate to bring together a number of predecessor programs and to develop a much more comprehensive attack on regional economic disparities....The Department was quickly organized; it gave new impetus to the programs it inherited, notably those concerned with rural development; it introduced major new programs placing an increased emphasis on federal support for public investment in infrastructure as a means of developing selected urban centres and on federal financial incentives as a means of stimulating private investment in job-creating plant and equipment; it reinforced its initial momentum with subsequent initiatives, notably those providing for different kinds of development corporations in the Atlantic Region and for assistance to agricultural service centres in the Prairie Region; and it was provided by

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<sup>1</sup> Statement prepared for delivery by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.



Parliament with authority to increase its expenditures from \$240 million in its first year to over \$500 million in its fourth year of operation....The bulk of its activity has been carried out under federal-provincial agreements, providing it with a unique and challenging experience with co-operative working arrangements between the two senior levels of Canadian government....

Because of new ground being broken in a complex and largely unexplored field, it was understood from the beginning, in the context of a long-term federal commitment to the basic objective, that a degree of experimentation would be required and that, with the passage of time and the accumulation of experience, modifications and even basic changes in Departmental policies and programs would have to be considered. This was reflected in a number of public statements. It was reflected also in some of the underlying law -- for example, in provisions of the Regional Development Incentives Act setting time limits on the periods during which applicant companies could bring projects into commercial production and remain eligible for payment of offered incentive grants.

Against this background, a decision was made last spring to undertake a major review of policies and programs. The provincial governments were informed of the decision and were assured that the results of the review would be the subject of consultation with them as soon as possible in 1973. I would like to make it clear that, until consultations with the provinces have been completed, no final conclusions about our findings will be drawn and no final decisions about basic changes in existing programs or major new initiatives will be made.

The review has been conducted in what I consider to be a very thorough manner. A large number of studies have been made, using staff drawn from different parts of the Department and other federal agencies and a variety of outside consultants. Quantities of valuable information have been sought and obtained from the provincial governments. And, particularly in the latter stages of the review, there has been a substantial amount of inter-departmental discussion in Ottawa.

Although a good deal of attention has been paid to existing programs, particularly RDIA, the review has been essentially forward-looking, concentrating heavily on analyses of regional economic circumstances and opportunities -- the types of analyses that, in our view, should make a valuable contribution to decision-making about ways and means of improving the effectiveness of federal-provincial efforts to reduce regional disparities and produce more balanced economic growth across Canada .....

In working with my officials, and in discussion with my colleagues, I have become increasingly impressed by the range of opportunities for economic development that exist in most parts of this country and by the large number of public policies and programs that bear, or could be brought to bear upon a concentrated effort to realize some of these opportunities. This is what has led me to speak publicly in recent weeks about the possibilities inherent in a "multi-dimensional approach" -- an approach that would call for the identification and pursuit of major developmental opportunities by means of the co-ordinated application of public policies and programs, federal and provincial, in cooperation where appropriate with elements of the private sector. I intend to explore this concept with the provincial governments and am prepared to consider its use as a basis for new federal-provincial initiatives in the field of regional development.

Application of the concept would require continuing analyses of regional and provincial economic circumstances and opportunities. As part of our own policy review, as I mentioned earlier in my statement, we have devoted most of our resources to analyses of this kind. Staff papers setting forth the results of our work have been prepared for the Atlantic Region and each of its four provinces, for Quebec and Ontario, for the Western Region, each of its four provinces and an area called the Western Northlands that was arbitrarily defined for analytical purposes.....

Although based on a fair amount of staff work, the opportunities [outlined in the papers] do not represent federal commitments or federal proposals

for provincial or regional developmental strategies. They are designed simply to illustrate the potential advantages of an approach to development based on the identification and coordinated pursuit of major developmental opportunities....

Let me be very clear on one point. Consideration of possible changes and new initiatives will in no way affect the determination of the Government to continue its efforts to reduce regional economic disparities in Canada. Our commitment to the basic objective stands firm and has indeed been intensified by the results of our policy review. What we are now seeking, what we will continue to seek, are ways and means of improving the methods used to produce greater, more satisfying and more productive employment opportunities in the slow-growth regions of the country.

....The results of our review suggest that, although there is room for improvement, as there always is, the programs are producing beneficial results at a reasonable cost. Present commitments under all these programs will of course be honoured. The programs themselves will be continued unless and until there are clear indications, arising from federal-provincial consultations, that the funds involved can be redirected in such a way as to increase the effectiveness of the overall effort.

The present programs tend to focus on particular factors in economic development, each of which is important, and to provide financial assistance related to those factors. Most notable are the incentives program which is designed to stimulate private capital investment in manufacturing and processing facilities, and the special areas program, which is designed to stimulate public capital investment in defined growth and service centres. I have no doubt that federal government support for capital investment in slow-growth areas will continue to be an important element in regional development policy. But it may be that available support for this factor can be made more productive if it is made more flexible, so that it can respond to developmental opportunities that do not fall neatly into the categories of secondary manufacturing investment and



special areas infrastructure investment. I will therefore be exploring with the provincial governments ways in which the staff and financial resources of my Department could be used more flexibly in a manner that would be even more responsive to variations, from region to region and province to province, in economic circumstances and opportunities.

....It is my tentative conclusion that optimum results in developing our slow-growth regions will require the coordinated application of policies and programs that bear upon specific opportunities. What I am contemplating is a continuing process whereby the federal and provincial governments could identify major developmental opportunities and pursue them together, endeavouring to use the relevant policy instruments available at both levels of government. DREE programs, marked by increased flexibility, would be among the relevant instruments.

Perhaps an example would help to illustrate the suggested approach. In parts of some slow-growth regions, the forests provide an important potential foundation for increased employment and production. At the present time, my Department can help to build on that foundation by assisting in studies of the resource base and the market possibilities and by providing incentives for private investment in wood-using processing and manufacturing facilities. But optimum results may depend on a wide variety of factors. Improved access to markets, involving trade and transportation policy, may be involved. Land tenure laws or practices may affect the situation. Special efforts in both the public and the private sector may be needed to avoid environmental damage. Existing storage and distribution facilities may represent an impediment. Community development may require support for both the planning and capital investment required to accommodate industrial facilities and provide a reasonable quality of life for workers in both woods and plant activities. Man-power training or mobility programs may be desirable or necessary. These are only some of the factors that could be involved in realizing a potential opportunity. In such circumstances, optimum results may call for concerted action by a number of organizations in the private sector and in the federal, provincial and municipal segments of the public sector.

The example may help to indicate why I am

suggesting a "multi-dimensional approach". It seems to me that such an approach could be developed over time as a means of strengthening the federal-provincial attack on regional disparities by focussing, in a manner consistent with national goals, on strategic opportunities for economic development in the regions of slow-growth throughout Canada. As I have already indicated, there appear to be many opportunities to expand employment and production in these regions in a manner that could contribute to total national wealth. It seems to me that, if properly developed, the suggested approach might attract the strong support of the private sector, which has been known to complain about the lack of government coordination in matters affecting economic development.

A good deal of thought has been given to the mechanisms that might be used to apply the concept, which would call for a high degree of interdepartmental coordination at both the federal and provincial levels of government. I think that appropriate mechanisms could be developed and I also think that, if the potential benefits to the Canadian people were demonstrable, the required degree of intergovernmental and interdepartmental coordination could be achieved.

The proliferation of public programs over the last twenty-five years has made improved government coordination a matter of some urgency in our society. I am not naive, however. I know that experience would suggest that coordination for its own sake, in the abstract, is difficult to achieve. But I am not talking about coordination in an abstract sense. I am talking about coordination in pursuit of limited and carefully defined objectives related to major developmental opportunities that have been identified jointly by the two senior levels of government. It seems to me that this kind of coordination should be regarded, not just as possible, but as something close to essential in this country.

I might mention in passing that, in planning the reorganization of the Department required to achieve the increased decentralization referred to in the Speech from the Throne, we are endeavouring to build in elements that would enable us to play an effective role in the development of a "multi-dimensional" approach to regional development in

Canada. Planning for the reorganization is now moving ahead quickly and I hope, before too long, to announce our intentions in more specific terms.

One final point. Today I have spoken at some length about a possible new approach to regional development. I am optimistic about its potential and I believe that, if it were to be applied as a basis for new initiatives, with the full support of the provincial governments, it might in time increase rather dramatically the effectiveness of the national effort to reduce disparities. But I am very conscious of the danger of raising expectations to unrealistic levels. The suggested approach could be a means of bringing about important improvements in federal-provincial cooperation in matters affecting economic development. It could be a means of moving us more rapidly toward important national goals. But I am not offering it as a panacea. I do not believe in instant solutions.







